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ABSTRACT

The executive summary of the first meeting of the National Advisory Council on Rural Development gives highlights of remarks and presentations by 16 speakers and discussions by subgroups on supporting state and local government (management and rural development roles), on new ways for rural development, and on financing rural development. Purposes of the Council are outlined in remarks by Department of Agriculture (USDA) officials. History and current status of the Forest Service and Soil Conservation Service are noted. Rural development leadership and coordination responsibilities of the Secretary of Agriculture, and structures used to carry them out, are summarized. The population turnaround in rural America in the 1970's, objectives underlying rural development legislation and programs (including development of education systems), and persistent national and regional rural problems are outlined in a presentation by Calvin Beale of the USDA Economic Research Service. Highlights of additional remarks cover the "new federalism"; agricultural marketing, exports, and regulations; the President's Cabinet Council system and Task Force on Private Sector Initiatives; R.J. Reynolds Industries' interest in voluntarism and Future Farmers of America; and community development involvement by the Departments of Housing and Urban Development and Health and Human Services. (MH)

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EXECUTIVE SUMMARY OF PROCEEDINGS

First Meeting of the

NATIONAL ADVISORY COUNCIL ON RURAL DEVELOPMENT

April 14-15, 1982
Washington, D.C.

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Office of Rural Development Policy • U.S. Department of Agriculture

NATIONAL ADVISORY COUNCIL ON RURAL DEVELOPMENT

Cochairman:

Frank W. Naylor, Jr.,
Under Secretary for Small Community
and Rural Development, USDA

Executive Secretary:

Willard (Bill) Phillips, Jr.
Acting Director
Office of Rural Development Policy, USDA

Council Members:

Joe Baca
Dr. Stephen Nye Barton
Lyle Bauer
Jan Broadhurst
Paul Brower
Dr. Frank Bryan
John Campe
Clayton C. Denman
Hon. Thomas Ewing
Hon. Penrose Hallowell
Edward Hasnerl
Ed Krueger
J. R. Kuiken
John Lehman
George Miller
Scott Neasham
Oliver W. Nelson
Ray G. Nelson
Dr. Don Paarlberg
Clarence Skye
Herman Tushaus
Gordon Van Vleck
Dr. Thomas T. Williams

Speakers, April 14:

Under Secretary Frank W. Naylor, Jr.

Richard Lyng, Deputy Secretary, USDA

John Crowell, Assistant Secretary for Natural Resources and Environment, USDA

Calvin Beale, Program Leader, Population Studies Group, Economic Development Division, Economic Research Service, USDA

Willard (Bill) Phillips, Jr.

C. W. McMillan, Assistant Secretary for Marketing and Inspection Services, USDA

Jim Medas, Special Assistant to the President for Intergovernmental Affairs

Dr. Tom Hopkins, Deputy Administrator, Office of Information for Regulatory Affairs, Office of Management and Budget

Dr. Bill Niskanen, Member, Council of Economic Advisers

Edwin Harper, Assistant to the President for Policy Development

Barton Russell, Chairman, Rural Governments Coalition

Speakers, April 15

J. Tylee Wilson, President,
R. J. Reynolds Industries, Inc.

Jerome Guth, Executive Director,
Presidential Task Force on Private Sector Initiatives

Seeley Lodwick, Under Secretary for International Affairs and Commodity Programs, USDA

Stephen Bollinger, Assistant Secretary for Community Development, Department of Housing and Urban Development

Gerald Britten, Deputy Assistant Secretary for Planning and Evaluation/ Program Systems, Department of Health and Human Services

John R. Block, Secretary of Agriculture

Introductory Remarks - Under Secretary Frank W. Naylor, Jr.

Under Secretary Naylor welcomed the Council members to Washington on behalf of the Administration and outlined the charge to the Council. Remarks included the following:

- We are looking to the Council to join with us in developing an appropriate rural development strategy in keeping with the Administration's goals and objectives.

- Your principal role is to be an adviser to the Secretary of Agriculture and, through him, to the President, for rural development and rural development strategy matters.

- This group is the leadership of rural America; through your own membership groups and your work in your areas of special interest, you are regional and national leaders. To have you join us in developing a strategy is a significant first in the development of rural America.

Under Secretary Naylor then introduced the following members of his senior staff: Ruth Reister, Deputy Under Secretary for Small Community and Rural Development; Merritt Sprague, Acting Manager, Federal Crop Insurance Corporation; Charles Shuman, Administrator, Farmers Home Administration; and Bill Phillips, Acting Director, Office of Rural Development Policy. He noted that ORDP will be the group providing staff support to the Council. (Note: Harold Hunter, Administrator of the Rural Electrification Administration, could not be present. He was introduced by Under Secretary Naylor at a later time.)

Remarks of Deputy Secretary Richard Lyng

Highlights:

- As an assistant secretary here in 1969, I saw the national effort to stem what was then a very heavy and alarming movement of rural population into urban areas. A great deal has been accomplished. Many of the water and sewer and other community development programs were valuable in stimulating industrial growth in rural areas, in giving rural people alternatives as the agricultural revolution resulted in decreased demand for farm labor.

- Rural development, if done properly, has economic significance, in addition to resulting in good for individuals; it can help in what is a constantly adjusting economic situation. Agriculture will continue to be dynamic, and there is more change ahead than has already occurred.

- USDA has an important role in fostering understanding of what is happening in rural America and in making plans for the Nation's adaptation to changes in rural areas. I know the Secretary shares my enthusiasm for the Council; we are counting on you to be of real assistance to us.

Additional Remarks of Under Secretary Frank W. Naylor, Jr.

Highlights:

- The Rural Development Act of 1972 was passed with the idea in mind that more must be done to recognize that there are unique, identifiable problems in rural areas that are not present in urban communities. Among these problems

is the difficulty rural communities have in representing themselves and their needs before state and, especially, federal government. One of the Act's aims was that rural communities be assured their equitable share of federal program benefits.

- In government and in the Congress, so many have an urban orientation; they particularly do not understand the small economic base in rural America and the voluntary character of much of the delivery system, including local government.

- In 1980, the Rural Development Policy Act was passed, with a requirement that a strategy be developed, because many in both parties felt there had not been adequate progress in representing rural interests at the federal level to allow them to compete effectively and to have their unique problems understood.

- USDA has the only viable delivery system in the United States for rural America. In the past, we have directed our extraordinary resources, principally, to greater federal involvement. Now we need to use those resources to help rural communities develop partnership efforts between levels of government and between government and the private sector. One of the great challenges faced by the Council is to help us find that balance.

- In selecting Council members, we looked at your talents and your ability to be a sounding board and resource person for your part of the country. We looked for people whom rural leaders know, identify with, and know they have access to. We hope you will make yourself available to listen to local concerns in the groups and area you represent and then feed them into the Council. That is a vital part of your job, to give us the wide participatory base on which to develop the strategy.

- The strategy will take into account the concept of new federalism and the withdrawing of the federal government from many roles that perhaps it never should have had, as well as the concept of balancing of roles and activities among federal, state, and local government and the private sector.

Remarks of Assistant Secretary John Crowell

With the Forest Service and Soil Conservation Service under his jurisdiction, Assistant Secretary Crowell began his remarks by giving some history of the national forest system and current data on FS and SCS. Highlights of his other remarks include the following:

- Privately owned forest land has been overused and national forest land underused for timber production. The harvest levels are declining on the overrelied upon private lands, although they are growing much for the future. We will have to see a shift in our national forest lands; the same debate extends to mineral, gas, and oil development, all additional thrusts of the Administration.

- Soil conservation, soil erosion, flood control, and water conservation receded from the public eye as a high-level concern after the 1930's. With the strong crop prices of the 1970's, much more land has come back into production from other uses and we have seen an alarming rise in the amount of soil erosion.

- Soil erosion, flood control, and water conservation in the West are the three issues emphasized by the Secretary as he formulates a proposed program for dealing with resource issues under the Resources Conservation Act of 1977.

Remarks of Mr. Willard (Bill) Phillips, Jr.

Mr. Phillips summarized the rural development leadership and coordination responsibilities of the Secretary of Agriculture and the structures he uses in carrying out these responsibilities. Highlights of his remarks include the following:

- Coordination across departmental lines is difficult; the Secretary can't tell other departments what to do; we have to find a mechanism to show them if they are not doing enough for rural areas, to show them they have regulations that do not take the rural setting into account.

- We don't want a federal top-down strategy; we want a participatory one, developed from the ground up. That's why we have the Council.

- For interdepartmental coordination and addressing of rural development issues crossing departmental lines, the Secretary uses the President's Cabinet Council on Food and Agriculture, which, at the Secretary's suggestion now includes rural development within its purview.

- Within USDA, the Secretary uses his subcabinet-level Policy and Coordination Council, including its Rural Development Committee, chaired by Under Secretary Naylor.

- In the field, we will draw on the USDA Food and Agriculture Councils, which the Secretary recently directed be established in each State. Of particular importance to us will be the Rural Development Committee to be established by each Council--the only subject-area committee that each council has to establish, in accordance with the Secretary's directive.

- USDA State and local field offices and the Extension system, will also be of great value for coordination and strategy preparation purposes; State and local governments will provide input for development of the strategy; public and private interest groups will be closely consulted; and there will be public hearings.

Followup Remarks of Under Secretary Frank W. Naylor, Jr.

Under Secretary Naylor took this opportunity to enlarge on the President's Cabinet Council system, to acquaint the Council members with the process they might use to surface rural problems to the attention of the Cabinet. Highlights of his remarks include the following:

- Any Cabinet officer who is dealing with an issue that relates to the concerns of other departments can refer the issue to the appropriate Cabinet Council for review, action, and policy recommendations. A working group of subcabinet officers is then formed to develop a set of options to be considered

by that Cabinet Council. If a consensus can't be reached, the options are presented to the total Cabinet. If a consensus can't be reached there, the matter goes to the President for his decision.

- This system works rapidly and smoothly and gives this Council a unique opportunity to raise rural issues and policy options that can be moved in a timely and orderly fashion to the highest levels for decision, should that be needed. I hope the Council will take advantage of this process, since you represent grass roots input into it. This gives you an opportunity that does not exist in any similar form anywhere else in the federal establishment.

Presentation of Mr. Calvin Beale

Mr. Beale gave a comprehensive presentation on the population turnaround in rural America in the 1970's, the improvement in conditions of life in the Nation's rural areas, and the rural problems that persist nationally and regionally and for certain population groups. Highlights of his presentation are as follows:

Rural Development Objectives in the 1970's. Underlying rural development legislation and programs developed in the 1970's were the following four objectives: 1) to stablize the rural population; 2) to help do this by diversifying the economies of rural areas, which required development of water supply, industrial parks, education systems, and other infrastructure; 3) to improve income levels and if possible eliminate poverty; and 4) to make major improvements in rural housing, perhaps the single material area in which there were the greatest differences between rural and urban conditions. The first objective has been reached. In the other three, significant progress has been achieved. For all four objectives, the progress is seen in rural America as a whole. Some counties, areas, and population groups have not shared in the progress.

Population Trends and Situation.

- In the 1960's close to 3 million more people left nonmetropolitan areas than entered them. In the 1970's, at least 3-1/2 million more people moved into nonmetro areas than out of them.

- In the 1970's, only about one-third as many counties declined in population as did in the 1960's. Areas containing a substantial number of extreme turnaround counties are located in the Southern Appalachian Coal Fields, where only one county out of 76 is still declining, and in the Southern Coastal Plains. Still, there are over 400 declining counties and many others barely had any growth. Those with continuous decline are primarily in the parts of the Great Plains and Western Corn Belt that are most dependent on agriculture and have little other industry.

- On the other hand, numerous counties grew more than twice the national average rate of growth, probably too rapid a rate; such growth creates a strain on their facilities, budgets, and services. Rapid growth occurred in the Upper Great Lakes region, particularly in Michigan; the Ozarks; the Central Texas Hill Country; the Appalachian coal mining areas; and the Florida penisula.

- Many nonmetro counties have a high proportion of people 65 years old and over, some because so many young people left and many others because large numbers of retirees have moved in. With these high proportions of the elderly, sources of income are different; political attitudes on bonds and other issues are different; and different needs for services, facilities, and other aspects of the community are evident.

Employment Diversification and Growth.

- By 1970, most rural people were no longer engaged in either farm production or supplying goods and sources to farm people.

- In the 1970's, the rate of job growth was nearly twice the rate of population growth in nonmetro areas. The high rate of nonmetro employment growth drew many rural women into the formal labor force for the first time. The increase in employment of women was 1.4 times that of men. The labor force participation rates of nonmetro women are still lower than for metro women.

- The unemployment rate was 10 percent or more in about 600 nonmetro counties in 1981. These counties are those in the South West that are heavily Hispanic and Indian; Alaskan counties with large Alaskan Native and Indian populations; non-coal field areas of the Southern Appalachians; Mississippi Delta counties with large Black populations; and Pacific Northwest counties with logging and wood products manufacturing.

Income.

- Rural employment growth and diversification has contributed to absolute and relative income improvement. Nonmetro per capita personal income is now 77 percent of metro income; 10 years ago it was only about 70 percent.

- Some of the income gap is offset by rural-urban differences in cost of living. However, a major data gap for rural development is that the Federal Government collects no data on rural or small town cost of living.

- Among nonmetro counties about 230 consistently ranked in the lowest fifth in income among all such counties from 1950 to 1979. Nonmetro counties with persistent low income are located predominately in the South. Large concentrations are found in the Southern Coastal Plains of Mississippi, Alabama, Georgia, and South Carolina. Many of these counties have a high percentage of Black population. Persistent low-income areas are also found in Appalachian Kentucky and Tennessee and the Ozark-Quachita area. In these areas, the poor are white highland populations that in the past were rather isolated econmically and culturally. Persistent low-income counties outside the South have large Indian or Hispanic populations. Progress has been made in these areas but they still fall in the lowest income group.

- For some rural counties, the largest source of income is transfer payments (social security, public assistance, medicaid, unemployment compensation, government retirement programs, etc.). Such counties frequently have low-income levels.

- Many rural counties with large populations of Blacks, American Indians, Hispanics, and Alaskan Natives are the ones with high unemployment, low income, and high transfer payments. In high-transfer-income counties, the presence of the aged, women with dependent children, and workers reporting a work-limiting disability are the main explanatory factors and each of these has implications for community or economic development plans that depend heavily on job development.

Housing.

- In 1950, 35 percent of all housing in the United States lacked complete indoor plumbing; in 1980, only about 3 percent did, indicating tremendous progress in upgrading housing.

- Regional pockets with less progress remain; poor housing remains a Southern problem, primarily. Overall, it is found in much of the Coastal Plains, the Southern Appalachians, Great Plains (Indians), and the South West (Hispanic and Indians).

Causes of Population Turnaround. In response to a question, Mr. Beale gave the following causes (no significance to the order):

1. Reduced worker displacement from declines in the traditional rural extractive industries;

2. Growth of more alternative types of job opportunities, stemming from decentralization trends among manufacturers in the 1960's and then growth of trade, services, construction, mining, public utilities, public administration, and other industries.

3. Search for improved quality of life; to get away from negative aspects of urban life. (Most immigrants give such social reasons despite the improved economic opportunities in rural areas.)

4. Influx of people of retirement age.

5. Additional sprawl out from metropolitan areas; settlement of people who commute long distances back into metro areas but want to live in a rural area.

6. While it is impossible to measure the exact impact of conscious rural development efforts, including governmental rural development programs, these have had a significant role.

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Note: During luncheon on April 14, Mr. Barton Russell, Chairman of the Rural Governments Coalition, gave informal remarks on the March 1982 National Rural Symposium held at Wingspread near Racine, Wisconsin. The topic of the Wingspread conference was "Rural Governments in a Time of Change." Participants at the conference, which was cosponsored by USDA and the Rural Governments Coalition, included federal, state, and local government representatives and members of public and private interest groups.

Remarks of Assistant Secretary C.W. McMillan

Assistant Secretary McMillan discussed meat and poultry inspection, animal and plant health inspection, agricultural marketing services, federal grain inspection, agricultural cooperative services, packers and stockyards regulation, and the Office of Transportation. Highlights of his remarks include the following:

- o In all of these areas (see above) we want to be more oriented toward the marketplace. We want to minimize regulations that have an adverse impact upon the free movement of U.S. agricultural products in interstate and international commerce.

- o Using brucellosis as an example, we believe industry itself should assume a greater role in control and eradication, as should states, rather than relying on the federal government to do it for them.

- o Under new federalism, still using brucellosis as an example, we are relying more on the states. Under new federalism, they would carry out the inspection function under federal supervision, but with fewer federal dollars in the program and, we would hope, less federal regulation.

- o There has been an assumption that it's up to the feds to do the job. We disagree. If brucellosis is an economic problem for the industry, then it should be up to them to deal with the problem.

Remarks of Mr. Jim Medas

Highlights:

- o New federalism is meant to be a dollar-for-dollar exchange of programs and responsibility. It is not a budget-cutting devise. When it shifts programs and responsibility to the level of government where there is a consensus they can be best run, funding sources would also be shifted.

- o New federalism is designed so there are no winners or losers among states.

- o The program would not take effect until fiscal year 1984, giving adequate time to address any problems of inequity or unfairness that do surface.

- o Before 1960 there were around 50 categorical programs, with requirements on states. During the early 1960's to the early 1980's this figure grew to 800, with the federal government involved in nearly every aspect of our life.

- o The impetus to change this locus of responsibility came from the National Governors Association and other state and local leaders who want to sort out which functions properly belong to the federal government and which to the state and local level.

- o Under new federalism, programs can be more efficiently and effectively targeted and the federal government can concentrate on priorities it alone must handle.

Remarks of Dr. Tom Hopkins

Highlights:

- We have hundreds of thousands of regulations. Some are burdensome, some are ludicrous, some are both. Some do a good job, protecting our health and the environment, for example.

- The Task Force on Regulatory Relief is approaching the problem differently from previous administrations in that it asks a series of questions about the regulations under review: Can we expect market forces to handle the problem? If not, we ask why and then try to tailor the remedy to the problem. For example, instead of regulations pertaining to energy savings on air conditioners, we will give consumers necessary information for them to use the air contioners selectively. Lack of information was the problem. Similarly, noise regulations for garbage trucks that would have cost $30 billion nationwide were scrapped by the President in favor of identifying the basic problem: local decisions on zoning--for example, ones that allow garbage trucks in residential areas before 6 a.m.

- Some issues are ethical issues, not economic issues. For example, whether the federal government is responsible for making people take responsibility for their life if they themselves don't is an ethical matter. The people can "buckle up." Also, we are against mandated uniformity that eliminates the possibility of local initiative.

- Members of the National Advisory Council on Rural Development are encouraged to identify regulatory abuses, barriers, and problems in a letter to the appropriate federal department with a copy to the White House Task Force on Regulatory Relief.

Remarks of Dr. William Niskanen

Highlights:

- The Administration is strongly commited to reducing the rate of growth of federal spending and the total federal share of national output. The President's fiscal year 1983 budget proposes for defense a share of the budget that would restore it to what it was in the early 1960's before the Great Society programs.

- In this country it is still to be sorted out: do we want to live with a large federal government and extended welfare state.

- If this Administration makes concessions to special sectors to alleviate circumstances, we will live to regret it; we will be no different from other administrations. To put our long-term fiscal house together we have to learn to live through short-term testing periods and difficult economic times.

- We need to ask whether farm legislation is still appropriate for the 1980's. It was put together mainly in the 1930's, under vastly different circumstances. Farming is now more capital intensive, productivity is higher, and trade is more important, for example. We must open this up and look at it.

- We need the support of the National Advisory Council in maintaining free trade. Farmers and consumers both lose from protectionism.

Remarks of Mr. Edwin Harper

Mr. Harper discussed the genesis of the President's Cabinet Council system, including the President's concern that in the past each Cabinet officer was exposed primarily to only his own narrow "slice of life." The President, recognizing, for example, that USDA is concerned with even the work of NASA since NASA maps are used for crop forecasting, wanted a system that would allow frequent personal interchange among peers for resolution of issues put on the agenda by the Cabinet officer believing it is vital. Mr. Harper noted that the Cabinet Councils are formed around the following areas:

- o Economic Affairs
- o Food and Agriculture
- o Health and Human Resources
- o Natural Resources and Environment
- o Commerce and Trade
- o Legal Policy

Followup Remarks of Under Secretary Frank W. Naylor, Jr.

- o The Council has the unique opportunity to advise the Secretary of Agriculture on a whole range of rural issues and to raise critical policy issues that the Secretary can feed up through the Cabinet Council system promptly for rapid decisions.

- o The invitation to the Council to do this stems from the fact that you will be, in effect, senior advisers to the Secretary on rural affairs.

- o The Council members have a strategy role and a rural development role. In the latter, you will be a point of contact for us in your position as regional or national leaders. There will be, ideally, a two-way flow of information, with you serving as spokespersons for rural development and providing us with your own views on policy issues plus the views of those with whom you relate in your own communities.

- o The Council, as you will hear tomorrow, will use the Working Group approach to help ensure that we deal with issues and approaches that other departments are not really concerning themselves with, unless we strongly advocate something. Few other departments give rural issues consideration. They have programs in rural areas, as they do in urban areas, but they don't really identify a rural component or give rural areas attention. We are the only advocates of rural America in the federal government.

- o We consider that rural development embraces the following:

    * Business development; jobs; efforts for a long-term base of employment and employment opportunities that can be an alternate to agricultural employment when indicated.

    * Community infrastructure, including water and sewer, electricity, and other support services.

* Housing, including sources of mortgage funds for this. This component of rural development is fundamental.

* Heath care; this is very fundamental; it falls far short of the mark in rural areas despite some noteworthy successes.

* Agriculture, in that it impacts on all these matters in much of rural America.

o In rural America, the key question is how do you deliver services. Urban and rural areas alike have economic problems, but once they are resolved, in rural areas, the delivery problem remains.

o We, and the Council, need to address vehicles and techniques. Related problems include the question of how to make rural people aware of resources. Also, how do you position a small rural community to compete for a plant? How can they be enabled to sell bonds? How do they determine if they need a new water system? How do they go about getting it?

o We are exploring the idea of a matching process, a clearinghouse, for small communities to use to help set up for new businesses. We are looking at using an existing foundation to establish such a clearinghouse. Other approaches to assist rural communities will be to use Extension resources and other existing resources without using large amounts of money. State and local governments and the private sector would also be used.

o Throughout this focus on the clearinghouse concept, delivery systems, and mixing resources, we have the following fundamental objectives: we want to see that rural Americans get an equitable share of federal program funds and we want to give them viable alternatives when previously existing resources are no longer available from the federal government.

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April 15, 1982

Remarks of Mr. J. Tylee Wilson

Mr. Wilson discussed R.J. Reynolds Industries sponsorship of the Future Farmers of America program "Building Our American Communities" and the responsibilities of corporate America in engaging in voluntarism. Highlights of his remarks include the following:

o It will take a special kind of leadership to mobilize and wisely use our resources if rural America is to grow in a planned and productive way. The private sector has demonstrated repeatedly that it has the will and the imagination to help in times of critical national need.

o R.J. Reynolds is interested because it has a vested interest in rural America, being among the largest purchasers of agricultural commodities. When we invest in the health of rural America we invest in our future. Equally important, it is right that we should be interested in rural

America's welfare. Business is created by people; in effect it is a franchise granted to us by society that will be continued only so long as the people are satisfied with the way the business performs. Our corporate responsibility is to recognize the role the company and its people must play in the world in which we live.

- o To carry out a BOAC project, FFA leaders meet with local community leaders to survey home town needs. After identifying needs, the FFA chapter formulates an action program, coordinating with the community. FFA members learn about their communities; they carry out projects that will improve their home towns; and they learn important leadership skills.

- o In 1981, more than 1,500 chapters carried out BOAC projects in every state. The R.J. Reynolds contribution totaled $12 million. The BOAC projects were valued in the millions of dollars and involved reforestation, solar energy for the poor and elderly, and building classrooms in poor districts, as examples.

- o R.J. Reynolds has learned that as business objectives, earning a profit and meeting corporate social responsibility are totally compatible.

- o The company will continue to provide the incentive to expand BOAC to all 8,500 FFA chapters. And to create an added incentive, our board has approved sponsorship of a new addition called "Achievement in Voluntarism." This program will recognize the outstanding FFA member and his/her adviser from the chapter in each state that wins the state's top BOAC award. It will bring the members to Washington, D.C., for a week of training in voluntarism designed to increase leadership skills. The chapters will receive a cash award.

NOTE: Mr. Ted Amick, director of BOAC for the national FFA staff was called upon to briefly explain the history of BOAC. He noted that it began in 1970 with support from the Farmers Home Administration and a grant from the Lily Endowment.

Remarks of Mr. Jerome Guth

Highlights:

- o The work of the President's Task Force on Private Sector Initiatives should not just be seen in the context of new federalism. It exists because the country is fundamentally changing. In this time of limited resources we have to make some fundamental changes in the balance between public and private resources.

- o The Task Force 1) finds, catalogues, and shares success stories; 2) works with groups to form partnerships, new ways of doing things compared with ways used in the last 20 years; 3) works to re-elevate the image and perception of the power of the volunteer; and 4) gets results, makes things happen.

- o Corporations have been asked to double their cash and noncash giving and to refocus their energy on the power of their own employees, encouraging them to get out and volunteer.

- Members of the National Advisory Council on Rural Development are urged to send in success stories from rural areas and to note that members of the Task Force are available to speak before local groups on the subject of voluntarism.

Remarks of Under Secretary Seeley Lodwick

Under Secretary Lodwick discussed USDA services to expand agricultural exports in the context of the rural development benefit that comes from improved farm incomes. He asked the Council for ideas on how USDA can be more helpful to farmers and others in rural areas concerned with exporting agricultural products. Noting that USDA is particularly interested in helping small farmers learn of trade opportunities, Under Secretary Lodwick outlined Departmental services to help these and other farmers. These services include:

- The Trade Opportunities Referral System.
- Services of Agricultural Trade Offices, in such cities as London, Hamburg, and Singapore, where nationals can observe U.S. products and where U.S. exporters can visit to learn more about the market.
- Foreign Agricultural Circulars, outlining where the best market potential is.

Remarks of Assistant Secretary Stephen Bollinger

Assistant Secretary Bollinger discussed HUD's involvement in rural America through the Community Development Block Grant Program, Urban Development Action Grants, and the Enterprise Zone program.

- The CDBG program provides over $1.1 billion annually to rural America (to small cities with up to 50,000 population). Under this Administration, it is no longer being administered out of the federal government (HUD's national office and 40 area offices plus 10 regional offices). It had heavy federal regulation and criteria were set by the federal government.
- The Administration has turned this program back to the states, so states can set up distinct formula reflecting their own priorities. It is not mandatory for states to administer the program; for 1982 approximately 36 have chosen to do so. In some cases, states chose not to because there was not time for their legislatures to take action on the matter. We expect 10 or 11 more states in 1983 and think that all states will chose to administer the program by 1984.
- UDAG has provided approximately $2 billion since 1977; approximately $6 million of that has gone to small communities. Based on distress factors, about 2,000 communities are eligible; over 1,500 of those are small communities. This is a program Secretary Pierce and others worked hard to retain since it fits well into economic recovery objectives.
- Most programs are geared to go in and save something in trouble. UDAG, in contrast, is a real private/public partnership program, with the community and the private sector offering a certain amount of funds and UDAG filling only the gap.

- To date, the federal UDAG investment of $2 billion has brought in over $13 billion from the private business sector and almost $3 billion from other sources (other public sources or foundations, for example). This successful leveraging-type public-private partnership has provided close to 250,000 new job opportunities, almost 75,000 in smaller communities.

- There is a perception that enterprise zones are for big cities only. The fact is, there is nothing in the legislation that is slanted to urban areas. Many small communities even have an advantage over larger ones in that they have more ability to get behind a project. Also, many entrepreneurs and investors prefer rural areas because of the lower cost of land and other factors.

- We intend to make designations of many small communities in the enterprize zone program. We will consult with USDA and others and will make certain that large and small communities have an opportunity to participate in this experiment, which is to last 3 years, with 25 zones designated each year.

Remarks of Deputy Assistant Secretary Gerald Britten

Highlights:

- The Department of Health and Human Services is willing and ready to work with the Council in making the delivery of human services more effective in rural areas.

- Under the Administration 25 categorical HHS programs have been consolidated into 7 block grants, all of them state managed. And additional one is proposed for 1982. The grants were consolidated to provide the necessary managerial framework for administering them and targeting them in a much better way.

- The seven block grants are: 1) preventive health care; 2) primary health care; 3) maternal and child health; 4) alcohol, drug abuse, and mental health services; 5) social services (child welfare, protective services for the elderly, low-income day care centers, etc.); 6) community services (former OEO effort to alleviate urban and rural poverty); and 7) low-income energy programs.

- Direct federal funding for Indian tribes remains except in the case of maternal and child health block grants. The Secretary of Health and Human Services has judged that any tribe that requests direct funding will be given this, since we believe they can provide services to their populations better than the state can.

- Some 48 or 49 states have picked up the health block grants; 40 states are operating the community services block grant and we expect the rest to at the beginning of next year. All 50 states picked up the social services and energy block grants, and the remaining few that did not pick up the health blocks are expected to soon.

- In the first year, states haven't chosen to make big changes in program administration, partly because there hasn't been much time for this. We think they are moving toward efficiencies in the coming year. States also don't seem to be shifting priorities, but we think there will be much more of this in the future. One exception is that states are giving a rural focus to maternal and child health care block grant disbursements.

Remarks of Secretary John Block

Secretary Block spoke at a luncheon for the Council members. Before beginning his remarks the Secretary introduced the following guests: Key members of his staff, Ray Lett and Jim Johnson; and representatives of the Food and Agriculture Cabinet Council. These representatives were Michael Calingeart and Jane Plank, Department of State; Mark Knouse, Department of Transportation; Don Nelson, Office of the U.S. Trade Representative; Fred Khedouri, Office of Management and Budget; Bill Dobson, Council of Economic Advisers; Burleigh Leonard, White House Office of Policy Development; and Danny Boggs, Executive Secretariat, Food and Agriculture Cabinet Council.

Highlights of the Secretary's informal remarks include the following:

- I am very pleased to welcome you. Your willingness to answer the call is gratifying, and I know that you will be a great asset to the Administration, USDA, and rural America.

- A great deal of progress and changes have occurred in rural America, in some areas more than in others. A great deal more needs to be done. We have a major responsibility in helping to maintain and increase progress in rural areas.

- The following policies are guiding our efforts:

    * National economic recovery is the foundation for rural development progress.

    * The overall solution to local and state problems can't come through federally directed and funded programs alone. Local and state government will have to shoulder a major load; we will work with them.

    * The private sector's historic role in development must be reemphasized.

    * For agriculture to be healthy, it needs a viable rural community and most rural communities need a healthy agricultural economy to develop fully.

- We will not have sustained economic recovery unless agriculture and rural communities are major participants in recovery.

- I feel strongly enough about rural development that I elevated the rural policy function in the Department so that it is now in a separate office reporting directly to Under Secretary Naylor.

- Another indication of my commitment is your presence here today, to help us with the issues we must address.

Remarks of Mr. Willard (Bill) Phillips, Jr.

Mr. Phillips spoke at the conclusion of the meeting of the full Council prior to their separate Working Group meetings. He reiterated that the rural development strategy must be developed from the ground up with wide participation so that we have the benefit of local, substate, state, and regional goals and recommendations. It also must be practical, workable, and affordable and developed in coordination with other federal departments. Other highlights of his remarks include the following:

- o We purposely did not define the exact direction of the Council because you have been asked to advise the Secretary. Guidelines and suggested courses of direction will come out of the Working Group meetings; we will also provide whatever additional guidance you request, of course.

- o Working Group subject areas were developed based on rural issues you identified for us plus our own study of rural issues. The subject areas are:

    * Supporting state and local governments' management and rural development roles. Chairman, Paul Brower; ORDP facilitator, Neil Storms.

    * Financing rural development. Chairman, Dr. Don Paarlberg; ORDP facilitator, John Aldonas.

    * New ways for rural development. Chairman, Gordon Van Vleck; ORDP facilitator, Linda Daugherty.

- o The facilitators, under the direction of Vince Phillips, will serve, in effect, as executive secretaries to your Working Groups. They will provide you with background literature, policy papers, expert papers on such matters as credit, for example, if you wish, and a wide range of additional material to assist you in your work on the Council.

- o ORDP staffing was structured by us to correspond with subject areas of concern in the Rural Development Policy Act of 1980 plus other areas important for rural development. We can therefore provide you with the input you need in any area, drawing on our own staff and also on USDA and other resources.

- o There will be a meeting of the Council in late June and again in the latter part of September, according to our tentative plans. We will of course inform you very soon of the firm details. We expect that the June meeting will not be in Washington, D.C.

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The following material summarizes the results of the three Working Group meetings held on the afternoon of April 15 as the final phase of the 2-day meeting of the National Advisory Council on Rural Development.

EXECUTIVE SUMMARY

Meeting of the Sub-Group of the National Advisory Council on Rural Development.

Supporting State and Local Government
Management and Rural Development
Roles

Group Members:

Paul Brower
John Kuiken
George Miller
Scott Neasham
Oliver Nelson
Ray Nelson
Thomas Williams

A. The group briefly discussed the various issues that were given to them. It was felt that these issues could best be grouped into areas rather than having to deal with them individually. The three areas were:

-- constraints to rural development;

-- impact of "new federalism;" and

-- private sector alternatives.

B. Specifically, the group asked they be provided with:

-- an executive summary of their session plus the other sub-groups;

-- position statements from the administration and other groups on new federalism; and

-- a draft of a model letter for the use of the members to use in soliciting input for use in the strategy.

Meeting of Sub-group of National Advisory Council on Rural Development
New Ways for Rural Development

Group Members: Gordon Van Vleck - Chairman
Stephen Barton
Jan Broadhurst
Frank Bryan
Clayton Denman
Ed Krueger
Clarence Skye
Herman Tushaus

After reviewing the list of 24 potential issues the group decided to let each member pick the issues of most interest to each member and most important to rural development. The following main topic (issue) and sub-issues will be addressed by:

Gordon Van Vleck - Production Agriculture

1. Exporting agriculture products
2. Preservation of agriculture land

Stephen Barton - Preventive and Community Health

1. Medically underserved rural areas and physician shortage

Jan Broadhurst - Increasing Agriculture Exports

Frank Bryan - Problems of Governance

1. Involvement of minorities in rural development
2. Need to remove barriers to rural participation in Federal programs
3. Urban migrants to rural areas are causing value conflicts
4. Need R&D for technologies scaled to rural like styles
5. Need decentralized public sector decision making process that reflects rural like styles and values

Clayton Denman - Appropriate Social Technology

1. Involvement of local people in rural development
2. Better ways to share successful rural development approaches
3. Lack of focus on long term solutions such as economic development and sense of community
4. Decentralized public sector decision making process that reflects rural like styles and values

Ed Krueger - New Ways to Share Successful Rural Development Approaches

1. Recognize agriculture's role in rural development
2. Involvement of local people in rural development

3. Need better ways to share successful rural development approaches
4. Need to remove barriers to rural participation in Federal programs

Herman Tushaus - Rural Economic Development

1. Need for more jobs in rural areas
2. High interest rates
3. Uniform Federal community facility and service standards often require costly approaches not required to meet rural needs
4. Lack of economic development in small counties
5. Need to develop economic activities for rural areas that do not harm the resource base

Each council member will prepare papers on their subject areas which will include:

1. Policy Recommendations.
2. Evidence to support each recommendation.
3. Identify which recommended actions can be accomplished in a short time frame and which are long term.
4. Recommend which sector should carry out the action. 1. public, 2. private/volunteers, 3. Federal Government, 4. local government and/or 5. subnational government.
5. Point out gaps in information needed to make policy decisions.

A final decision was not made on when the papers would be circulated to all members of the subgroup for comment. A suggested time frame was June 1 for the drafts to be circulated and returned to the originator by June 15. ORDP will do the typing, zeroxing and mailing.

The following questions/points were raised:

1. Can the council members establish task forces to identify rural issues and work with them in developing these papers.

2. How will policy conflicts be resolved?

3. ORDP will correspond with Clarence Skye regarding the work the group is doing and ask him which issues he would like to be involved in.

4. Group members would like information from Federal agencies on what their rural policies are. Specific request was made by Jan Broadhurst for a briefing paper from Foreign Agriculture Service and International Trade Administration for their policies on exporting agriculture products.

Meeting of the Financing Rural Development working group of the National Advisory Council on Rural Development.

Group Members: Don Paarlberg, Chairman
Lyle Bauer
John Campe
Thomas Ewing
Penrose Hallowell
Edward Hasnerl
John Lehman

Topics discussed and concerns raised:

A. Financing

- How much federal money is available for rural areas, and in what programs?

- Concern was expressed about rural capital needs for infrastructure and community facility development during a time of reduced federal funds for these purposes.

- Belief that rural areas are affected to a greater extent by budget cuts was expressed, and that the cost of new federalism has not yet hit home in the states.

- Some concern that governors favor urban areas, and consequently some tying of federal block grants to a general purpose use (say agriculture) may be necessary to achieve equitable treatment for rural areas.

- The group questioned, and desired more information about OMB's challenging the ties some private agencies have to the federal government which enables them to sell bonds near the treasury rate (eg. Farm Credit Banks).

- A comment was made that the Federal Financing Bank, and the Rural Development Insurance Fund are important facilitating mechanisms for rural development. While sufficient capital for rural development is believed to exist, it was felt that both private and public efforts are needed, and that the two sectors should work together better.

- Also the Farm Credit Banks need to make a greater effort to couple the resources of private banks and other financing institutions with their own resources.

- What is the status of allowable industrial revenue bond uses by local governments?

- High interest rates are a critical inhibitor to rural development.

B. Federal Regulations

- Reducing federal regulations and permitting greater local discretion will be the critical factor enabling local governments

to get by with less federal assistance.

- Flexibility is needed in what needs to be done; how to do it; and where to do it. Need to allow local initiative, innovation, and determination with minimal federal dictates in order to achieve low cost solutions to issues. Also permit state or local governments to determine the localities in which expenditure of federal funds will do the most good, or address the greatest need.

- There is a need for coordination of rural development efforts, and the state level is the most probable level in which to achieve such coordination.

C. Soil Conservation

- Concern was enunciated for the Resource Conservation and Development Program in the belief that it has strong local level backing, and that it is effective.

- OMB should reconsider its effort to eliminate the program; in general wholesale destruction of existing rural development programs is unwise.

D. Housing

- Housing in rural towns and in poor agricultural areas is not good.